

AMENDED IN SENATE JUNE 25, 2001
AMENDED IN ASSEMBLY MAY 31, 2001
AMENDED IN ASSEMBLY APRIL 17, 2001
AMENDED IN ASSEMBLY MARCH 27, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 984

**Introduced by Assembly Member Papan
(Coauthor: Assembly Member Alquist)**

February 23, 2001

~~An act relating to taxation, and making an appropriation therefor. An act to add Section 6368.8 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 984, as amended, Papan. Sales and use taxes: exemptions: sales and leasebacks of public passenger transportation vehicles.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for sales and leasebacks of passenger transportation vehicles to the Department of Transportation.

~~This bill would require the Franchise Tax Board to conduct a study on the use of sale and leaseback and lease and subleaseback financing transactions by California transit agencies for the lease or sublease of public passenger transportation vehicles. This bill would require the~~

study to consider the impact of federal laws and to estimate the impact on the General Fund if these transactions were exempted from the Sales and Use Tax Law.

This bill would also require the Franchise Tax Board to complete its study and report its findings to the Legislature on or before July 1, 2002.

~~This bill would appropriate \$100,000 from the General Fund to the Franchise Tax Board in order to implement the bill.~~

This bill would exempt specified sales and leasebacks of qualified equipment, as defined, used in the provision of public transportation services. This bill would also exempt purchases of leased or subleased qualified equipment purchased by a qualified person, as defined, at the end of the term of the lease or sublease.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

Vote: ~~2~~₃ majority. Appropriation: ~~yes~~ no. Fiscal committee: yes. State-mandated local program: ~~no~~ yes.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. (a) The Franchise Tax Board shall conduct a~~
- 2 *SECTION 1. Section 6368.8 is added to the Revenue and*
- 3 *Taxation Code, to read:*
- 4 *6368.8. (a) There are exempted from the taxes imposed by*
- 5 *this part, the gross receipts from the sale in this state of, and the*
- 6 *storage, use, or other consumption in this state of, qualified*
- 7 *equipment, provided all of the following conditions are satisfied:*
- 8 *(1) The qualified equipment is sold or leased by a qualified*
- 9 *person.*

1 (2) *The qualified person has paid sales tax reimbursement or*
2 *use tax with respect to the qualified person's purchase or*
3 *acquisition of the qualified equipment.*

4 (3) *The qualified equipment is sold or leased by the qualified*
5 *person and the qualified equipment is leased back to the qualified*
6 *person.*

7 (b) *For purposes of this section:*

8 (1) *"Qualified person" means an entity that qualifies as a*
9 *claimant, as defined in Section 99203 of the Public Utilities Code,*
10 *eligible to receive allocations under the Transportation*
11 *Development Act (commencing with Section 99200 of the Public*
12 *Utilities Code).*

13 (2) *"Qualified equipment" means a vehicle or vessel and any*
14 *related equipment used in the provision of public transportation*
15 *services, including, but not limited to, bus and van fleets, ferry*
16 *boats, rail passenger cars, locomotives, other rail vehicles, train*
17 *control equipment, fare collection equipment, communication*
18 *systems, global positioning systems, and other systems and*
19 *accessories related to the operation of a vehicle or vessel used in*
20 *the provision of public transportation services.*

21 (c) *The exemption provided by this section also applies to*
22 *subsequent purchases of qualified equipment by a qualified person*
23 *at the end of the term of a lease or sublease of qualified equipment,*
24 *provided the provisions of paragraphs (1), (2), and (3) of*
25 *subdivision (a) are met.*

26 SEC. 2. *Notwithstanding Section 2230 of the Revenue and*
27 *Taxation Code, no appropriation is made by this act and the state*
28 *shall not reimburse any local agency for any sales and use tax*
29 *revenues lost by it under this act.*

30 SEC. 3. *This act provides for a tax levy within the meaning of*
31 *Article IV of the Constitution and shall go into immediate effect.*
32 *However, the provisions of this act shall become operative on the*
33 *first day of the first calendar quarter commencing more than 15*
34 *days after the effective date of this act.*

35 ~~study on the use of sale and leaseback and lease and subleaseback~~
36 ~~financing transactions by California transit agencies for the lease~~
37 ~~or sublease of public passenger transportation vehicles.~~

38 ~~(b) The study shall address issues concerning compliance with~~
39 ~~federal law, including Department of Treasury Ruling 99-14.~~

~~(c) The Franchise Tax Board, in consultation with the State Board of Equalization, shall include in this study the estimated impact on the General Fund that would occur if the gross receipts from leases and subleases of public transportation vehicles by California transit agencies, that would otherwise be subject to California's Sales and Use Tax Law, were exempted from the imposition of sales and use taxes.~~

~~(d) The Franchise Tax Board shall complete this study and report its findings to the Legislature on or before July 1, 2002.~~

~~SEC. 2. The sum of one hundred thousand dollars (\$100,000) is hereby appropriated from the General Fund to the Franchise Tax Board to conduct the study in order to implement this act.~~

